

Message Text

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ORIGIN ARA-10

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R 220116Z JUL 76
FM SECSTATE WASHDC
TO AMEMBASSY QUITO

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E.O. 11652: N/A

TAGS: ENRG, EC

SUBJECT: TEXACO-GULF
REF:A.STATE 163821; (B) QUITO 5114

1. NESTOR ORTIZ (GULF OIL DIRECTOR FOR INTERNATIONAL AFFAIRS) CALLED THE DESK OFFICER JULY 21 TO FIND OUT WHAT THE LATTER KNEW ABOUT THE OUTCOME OF THE MEETING BETWEEN TEXACO VICE PRESIDENT FOR LATIN AMERICA ROBERT SHIELDS AND ECUADORIAN MINISTER FOR NATURAL RESOURCES RENE VARGAS. DESK OFFICER REPLIED THAT HE WAS WAITING FOR WORD FROM THE EMBASSY.

2. ORTIZ SAID THAT ACCORDING TO HIS UNNAMED SOURCES SHIELDS MET WITH VARGAS JULY 19 IN THE MORNING AND AFTER-NOON, ACCCOMPANIED BY BOTH THE TEXACO AND THE GULF (T-G) MANAGERS FOR ECUADOR. VARGAS SUPPOSEDLY OFFERED THE COMPANIES A ONE-YEAR ECONOMIC PROPOSAL WITH A REASONABLE RATE OF RETURN, BUT WITH VARIOUS FEATURES ADDED WHOSE PRACTICAL EFFECT TOOK AWAY THE REASONABLE RATE

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OF RETURN. WHEN THIS WAS POINTED OUT TO VARGAS, HE

REPLIED THAT HE WAS FLEXIBLE.

3. VARGAS REITERATED, HOWEVER, THAT DECREE 285 WAS STILL IN EFFECT, AND HE POINTEDLY NOTED THAT NEITHER

TEXACO NOR GULF APPEALED THAT DECREE LAST YEAR WHEN IT WAS PROMULGATED.

3. VARGAS ALSO SUPPOSEDLY SAID THAT HE HAD HEARD T-G HAD SEIZED THE QUOTE RUTH UNQUOTE. SHIELDS SAID NO, THE CARGO HAD BEEN DELIVERED BUT GULF HAD FILED SUIT CLAIMING THAT ATLANTIC-RICHFIELD HAD ACCEPTED HOT OIL. VARGAS THEN DROPPED THE MATTER.

4. ORTIZ SAID THAT AS A RESULT OF THE MEETING THE TEXACO-GULF SPLIT CONTINUES. TEXACO CONTINUES TO BE OPTIMISTIC ABOUT THE POSSIBILITY OF ACHIEVING A MUTUALLY ACCEPTABLE COMPROMISE; GULF CONTINUES TO BE PESSIMISTIC. ORTIZ ASKED FOR THE DEPARTMENT'S ASSESSMENT OF WHY TEXACO WAS OPTIMISTIC. DESK OFFICER REPLIED THAT THE DEPARTMENT AND THE EMBASSY ARE BOTH PUZZLED ABOUT THAT, TOO, AND THAT THE ONLY POSSIBLE ANSWER AVAILABLE HERE WAS ALONG THE LINES OF PARAGRAPH FOUR OF REFTEL A.

5. ORTIZ SAID THAT VARGAS SEEMED TO BE MORE AGREEABLE NOW, AND GULF WONDERED WHETHER VARGAS HAD BEEN ORDERED TO CHANGE HIS TUNE, AND IF SO BY WHOM. DESK OFFICER REPLIED THAT THERE WERE INDICATIONS OF SUCH AN ORDER HAVING BEEN ISSUED (SEPTEL COMING), THOUGH WE ARE NOT SURE BY WHOM, NOR ARE WE SURE THE ORDER WILL BE OBeyed.

6. CONCERNING REFTEL B, ORTIZ SAID THERE HAD BEEN 25 LANDSLIDES AND THREE BREAKS IN THE ROAD, FORCING PRODUCTION TO COME TO A HALT. HE ADDED THAT THE STOCK AT THE TERMINAL WAS DOWN TO 866,000 BARRELS, WHEREAS THE NORM WAS 2.5 - 3 MILLION BARRELS. AS A RESULT, EXPORTS WILL CEASE AFTER ONE MORE TANKER. HE ADDED THAT CEPE'S OVERLIFTINGS WERE NOW UP TO 1.3 MILLION BARRELS.

7. IN REPLY TO A QUESTION, ORTIZ SAID THAT AS OF LIMITED OFFICIAL USE

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JULY 20 TEXACO HAD NOT MADE UP ITS MIND ABOUT FILING SUIT. ROBINSON

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